

DDA 83-0451

16 FEB 1983

DDA REGISTRY
FILE: 100-5

MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director of Central Intelligence
Executive Director

FROM: Harry E. Fitzwater
Deputy Director for Administration

SUBJECT: Elimination of Inefficiency, Waste, and Abuse

1. The Prompt Payment Act has been helpful in our continuing effort to eliminate inefficiency, waste, and abuse of resources. Since the Act went into effect on 1 October 1982, we have incurred three interest penalty payments, totaling \$935.68. Two of the payments were minor ones, totaling \$7.93, while the third was in the amount of \$927.75. The latter penalty was incurred due to an administrative error when an FY-82 contract number was mistakenly assigned to an FY-83 contract. This resulted in a failure to match the appropriate contract with invoices, causing a 25-day late payment. We have been advised that [redacted] to which the \$927.75 is owed, wants to waive the payment of this penalty.

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2. During the first quarter after enactment of the Act, the Agency realized "earned discounts" amounting to \$329,680. This represents an increase of \$184,000, or 126 percent over discounts earned during the same quarter of FY-82. Discounts earned represent over 95 percent of those offered.

3. Also, during the first quarter under the Prompt Payment Act, the Agency made no early payments (more than four days prior to the invoice payment due date). Under the terms of the Act, any early payment has to be reported to OMB.

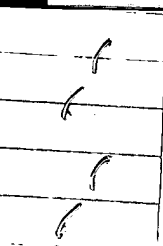
4. In February 1980, we initiated a concentrated effort to reduce the size of our delinquent advance accounts. At the time the program was initiated, our total advances were 3,943 in the amount of \$8,042,698. Of these advances, 870 were delinquent (22 percent of the total), amounting to \$1,335,752. In December 1982, our advances totaled 5,531, amounting to \$9,774,986. As a result of our efforts, only 231 advances were delinquent (representing 4 percent of the total advances and amounting to \$441,463).

4. We will continue to report periodically on these and other efforts to reduce inefficiency, waste, and abuse.

Harry E. Fitzwater

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cc: D/OF
D/OL



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EO/DDA [] : ba(14Feb83) STAT

TRANSMITTAL SLIP		DATE 20 1983
TO: EO/DDA		
ROOM NO.	BUILDING	
REMARKS:		
<p>From <input type="text"/> per your request at the OF Quarterly Review yesterday.</p> <div style="border: 1px solid black; height: 150px; width: 100%;"></div>		
FROM:		
ROOM NO.	BUILDING	EXTENSION

FORM NO. 241

REPLACES FORM 36-8
RECEIVED FROM OFFICE

(47)

PROMPT PAYMENT ACT - PRELIMINARY RESULTS

During the first three months under the Prompt Payment Act, which was effective 1 October 82, the Agency incurred two small interest penalty payments totalling \$7.93. During that period, Contract Claims Branch/A&CD/OF realized "earned discounts" amounting to \$329,680. This represents an increase of \$184,000, or 126%, over the discounts earned (\$145,925) during the same quarter of FY-82. Discounts on the Wang Word Processing contracts alone accounted for almost \$104,000. Discounts earned represented over 95% of those offered, with "lost discounts" usually arising from discount terms with too short a period (5 to 10 days) to be met in all cases.

During the first quarter under the Prompt Payment Act, the Agency made no early payments (more than four days prior to the invoice payment due date) which would be reported to OMB. This resulted from careful targetting against payment due dates in both manual and automated invoice processing modes.

In January 83, two minor interest penalty payments and the first sizable penalty payment were incurred. The latter, for \$927.75, arose when an FY-82 contract number was assigned to an FY-83 contract, resulting in failure to match the contract and invoices bearing the FY-82 contract number with FY-83 contract and funding data in CONIF and GAS. The initial invoice for \$120,401 was paid 25 days late (on 19 Jan 83), and the second invoice for \$96,000, barely within the grace period. In a curious twist, the ^{der} ~~venor~~, STAT advised the Contracting Officer that they did not wish to be paid the interest penalty.

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Compliance with the FMFIA of 1982 (PL 97-255)* requires:

- a. The establishment of internal accounting and administrative controls in each Executive agency in accordance with standards prescribed by the U.S. Comptroller General.
- b. The conduct of evaluations by agencies of their systems of internal accounting and administrative control in accordance with guidelines issued by the Director of Management and Budget.
- c. Transmittal of an annual statement by the head of each Executive agency to the President and Congress indicating whether the agency's systems of internal accounting and administrative control comply with the Comptroller General's standards and provide reasonable assurance that obligations and costs are in accordance with applicable law; funds, property, and other assets are safeguarded; and revenues and expenditures are properly recorded and permit the preparation of reliable financial and statistical reports.

* Addition to U.S. Code 66a

AGENCY INTERNAL CONTROL

DISTRIBUTION OF FUNCTIONAL RESPONSIBILITIES TO DEPUTY DIRECTORS

° DEPUTY DIRECTORS

Key Officials Held Responsible

° KEY OFFICIALS

Provide Qualified and Continuous Supervision

No One Individual Controls all Phases of an Activity
or Transaction

Assure Approved Procedures are Followed

° HEADS OF CAREER SERVICES

Enforce Established Personnel Evaluation Procedures

Performance Appraisals Accurately Reflect
Accomplishments of Key Officials in Assuring
Adherence to Agency Internal Controls

GOVERNING DIRECTIVES

- REGULATIONS
- NOTICES
- HANDBOOKS

COORDINATION OF DIRECTIVES

Office of Director

Deputy Directors

General Counsel

Inspector General

Comptroller

Legislative Counsel

INSPECTOR GENERAL

- ° Inspections
- ° Audits
- ° Special Investigations